BUDGET & FINANCE COMMITTEE

WAYS & MEANS COMMITTEE

Of the

Suffolk County Legislature

A joint meeting of the Budget & Finance Committee and the Ways & Means Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on June 20, 2006.

Members Present:

Legislator Ricardo Montano • Chairman/Budget & Finance
Member/Ways & Means
Legislator Louis D'Amaro • Chairman/Ways & Means
Vice•Chair/Budget & Finance
Legislator Jon Cooper • Member/Budget & Finance
Legislator Viloria•Fisher • Member/Budget & Finance
Legislator Cameron Alden • Member/Budget & Finance
Legislator Jay Schneiderman • Member/Budget & Finance

Members Not Present:

Legislator Daniel Losquadro • Excused
Legislator Elie Mystal
Legislator Steve Stern
Legislator John Kennedy
Legislator Edward Romaine

Also In Attendance:

George Nolan • Counsel to the Legislature
Bob Martinez • Aide to Legislator Montano
Michael Cavanaugh • Aide to Presiding Officer Lindsay
Renee Ortiz • Chief Deputy Clerk of the Legislature

Gail Vizzini • Director/Budget Review Office
Lance Reinheimer • Assistant Director/Budget Review Office
Robert Lipp • Chief Economist/Budget Review Office
Verna Donnan • Budget Review Office
Paul Perillie • Aide to Majority Caucus
Linda Bay • Aide to Minority Caucus
Justin Littell • Aide to Legislator D'Amaro
Seth Squicciarino • Aide to Legislator Viloria•Fisher
Kevin Cepelak • Aide to Legislator Cooper
Eric Brown • Aide to Legislator Schneiderman
Ben Zwirn • Assistant County Executive
Tom Vaughn • County Executive's Office
Josh Harden • Intern/County Executive's Office
Allen Kovesdy • Deputy Director/County Executive's Budget Office
Lynne Bizzarro • Chief Deputy County Attorney
Jeff Tempera • Director/Suffolk County Labor Relations
Dr. Irwin Kellner • Chief Economist/North Fork Bank
Weller Professor of Economics/Hofstra University
Steven Philbin • North Fork Bank
Kevin Haughey • North Fork Bank
Joan Sikorsky • Suffolk County Comptroller's Office
Jack Kennedy • President/Nassau•Suffolk Building Trades
Bobby Egan • Steamfitters 638
Jim Castellane • Local 12
Joe Lapinski • Local 12
Frank Nilto • Local 28
Sandy Sullivan • Legislative Director/AME
All Other Interested Parties

<u>Minutes Taken By:</u>
Alison Mahoney • Court Stenographer

(*The meeting was called to order at 9:19 A.M.*)

CHAIRMAN MONTANO:
I'm going to call the meeting to order starting with the Pledge of Allegiance, please rise, led by Legislator D'Amaro.

Salutation

Thank you. Dr. Kellner, before we get into your presentation, we have a couple of very quick speakers for three minutes, I'm going to let them go first so that we can give you the time you need to make your presentation. I'm going to start with Jack Kennedy. You're going to •• I believe that what you want to discuss is actually not before this committee; is that accurate?

MR. KENNEDY:
Yeah, and I apologize for the confusion. Good morning.

CHAIRMAN MONTANO:
Good morning.

MR. KENNEDY:
I don't know whether I'm confused or somebody told me that I would be in the proper place this morning. I come here out of concern, there's a proposal to build a new building in Suffolk Community College valued I believe in the neighborhood of $5 million and its express purpose is to do training and training for apprentices.

LEG. COOPER:
HVAC.

MR. KENNEDY:
HVAC, and I come here before you this morning out of concern. I am testimony or witness of graduating from an apprentice program which was in the electrical industry, the mechanical trades. And one of my biggest fears and concerns is is this going to start to be a trend where Suffolk County is now going to get into the business of doing what we've been doing for the last 75 years and doing it well. Organized labor in the building trades does 80% of all of the training for registered apprenticeship programs in the State of New York. And why, why would the County, and even me as a taxpayer, why would I want to put up a building to probably train, I think there's 18 people in that program right now; why would I as a taxpayer want to subsidize that when organized labor, through it's collective bargaining, has

the contractor and the members pay for all of their schooling and training?

So I'm here out of concern for the County starting to get into some kind of a trend. Right now it's just the HVAC; what's next, is it to take on a commitment to do electrical, plumbing, sheet metal work, all the rest of it from the mechanical trades? So I'm very, very, very, concerned and very, very fearful that that could be and that could be the start of something. But most of all, why would we want to have the County put up a $5 million building to train 18 people and subsidize or would help out something where we don't belong, where the County doesn't belong? So I wish you would consider that. I don't know where that goes in the process from here. From what I understand, under the public portion you would pass it on to the appropriate branch that it belongs.

LEG. COOPER:
Through the Chair?

CHAIRMAN MONTANO:
Hold on, please. Are you done, Jack?

MR. KENNEDY:
Yeah.

CHAIRMAN MONTANO:
Two things; one is please put your affiliation on the record.

MR. KENNEDY:
I'm the President of the Nassau•Suffolk Building Trades. I represent 60,000 men and women who reside and work in Nassau and Suffolk County.

CHAIRMAN MONTANO:
Okay. Two things, Jack; one is that the bill you're referring to is before the Economic Development, Higher Education & Energy Committee which I believe is on tomorrow at 9:30, and I'll verify that for you.

LEG. COOPER:
That's correct.

MR. KENNEDY:
Okay.

CHAIRMAN MONTANO:
Number two, did you have an opportunity to speak with the County Executive's Office in reference to this bill? Because at the last Energy Committee meeting the bill was tabled so that there would be further discussions between yourself, I see that Kevin Rooney is here from HVAC. And my understanding was, and I believe this is shared by the committee members, that there would be dialogue between, you know, organized labor, the County Exec's Office and the college so that we would have a clear understanding of what all the concerns were. And if you can come by the meeting tomorrow and address the same issues, but in the meantime I think you need also to speak with the County Exec's Office because that's a bill that was generated by the County Executive's Office.

MR. KENNEDY:
And I've had dialogue with them over it.

CHAIRMAN MONTANO:
Good. Any questions; Jon?

LEG. COOPER:
No, I just wanted to say that the meeting is indeed tomorrow morning at 9:30, it's Economic Development.

MR. KENNEDY:
Okay, I apologize.

CHAIRMAN MONTANO:
Which is good, because we will be at that committee also, so now we have an idea of what's going to happen. Anyone else?

LEG. ALDEN:
Some of us will.

CHAIRMAN MONTANO:
I will be there.

MR. KENNEDY:
Thank you.

CHAIRMAN MONTANO:
Jack, thank you very much.

MR. KENNEDY:
Thank you for the time, and I apologize to Dr. Kellner. Have a good day. Thank you.

CHAIRMAN MONTANO:
Thank you. See you tomorrow. At this time, I'm going to •• we have a couple of •• Dr. Kellner, I have a card here from Kevin Haughey who is the Senior Vice•President of Municipal Banking Group, North Fork Bank; is he part of your group?

DR. KELLNER:
No, he's here to make sure I say the right thing.

CHAIRMAN MONTANO:
All right, who wants to go first? Let me put it that way.

MR. HAUGHEY:
He's doing all the speaking.

CHAIRMAN MONTANO:
Dr. Kellner, I'm going to ask you to go first. I'm going to let Legislator •• I'm going to ask, not let •• I'm going to ask Legislator D'Amaro to do the proper introduction. Legislator D'Amaro is the Chairman of the Ways & Means Committee and this is a joint committee meeting, so we're going to share the responsibilities. Thank you.

CO•CHAIRMAN D'AMARO:

Thank you, Mr. Chairman. And Dr. Kellner, welcome this morning. Thank you very much for coming down to address our committee and give us your opinions, which I'm sure will be very helpful as we conduct our Legislative business. So as Chairman of the Ways & Means Committee and Vice•Chair of this committee, once again, welcome this morning.

You know, your testimony I believe is coming at a very crucial time for us. You know, on a daily basis the County and this Legislature itself is grappling with budget shortfalls and what to do about them. Since a vast portion of the County's revenue stream is based on the performance of our local economy and the amount of sales tax that's actually generated from our local economy, the health of that economy is of vital importance to myself and I'm sure to all of my colleagues on this Legislature. So I appreciate you being here today to give us, once again, your insights into what's perhaps happening here on Long Island and our economy. And just for the record, I would like to just take a few more moments, by way of introduction, to put into the record some of your background because I think it's important that anyone who is here listening know a little bit more about Dr. Irwin Kellner, if they don't know him already.

Dr. Kellner holds the Augustus B. Wellard Distinguished Chair of Economics at Hofstra University and is the author of Hofstra University's Economic Report. Dr. Kellner also serves as Chief Economist of North Fork Bank Corporation and for Marketwatch.com, the leading interactive financial news website. He's widely quoted in the print media as well as the author of many articles dealing with economics, business and banking. Dr. Kellner frequently addresses groups of businesspeople and community leaders and appears regularly on Cablevision News 12 Long Island as well as other programs, both here and abroad.

Dr. Kellner is on the Board of the North Shore Health System. In the public sector he served a term as Chairman of Nassau County Executive Tom Suozzi's Council on Economic Advisors. Prior to that, he was a member of the New York State Comptroller Carl H. McCall's Economics advisory Committee. He was also New York City's Economist Roundtable, the New York District Advisory Council on Small Business Administration Region II and the Long Island Regional Transportation Advisory Committee of New

York State Senate, a member of all of those organizations and bodies as well.

(*Legislator Schneiderman entered the meeting at 9:28 AM*)

Dr. Kellner also belongs to several professional organizations. He's a past President of the Forecasters' Club of New York and Governor of the Money Marketeers. He also was the President of the New York Association of Business Economists which is the largest economic organization in the State of New York. Among his other professional memberships are the American Economic Association, the American Statistical Association and the National Association for Business Economics.

Dr. Kellner is a native New Yorker. He received his BA and MA in Economics from Brooklyn College and his PhD in Economics from the New School for Social Research. He also has a Doctor of Humane Letters bestowed by Hofstra University and a Doctor of Law as conferred by St. Joseph's college. Additionally, he's a recipient of a Distinguished Leadership Award from Touro College, the Human Relations Award from the American Jewish Committee, the Humanitarian Award from the Juvenile Diabetes Foundation and the Diabetes Research Institute, the Gary Sherman Humanitarian Award from the North Shore Health System and the Champion of Liberty Award from the Anti•Defamation League.

Dr. Kellner is also one of the few to have been named an Honorary Alumnus at Hofstra University and recently he was named one of the 100 Most Influential Long Islanders by Long Island Business News. He lives in Port Washington where he's been a member of the Village Planning Board since 1972.

So Dr. Kellner, once again, with that very impressive introduction,
I welcome you to this joint committee and please go ahead.

DR. KELLNER:
Thank you, Legislator D'Amaro, Mr. Chairman, Legislators, Ladies and

Gentlemen. Let me first start out by saying that on behalf of North Fork Bank and Hofstra, it's a pleasure to be here and we appreciate your interest in my comments.

Suffolk's economy, like the rest of Long Island, is dependent in great part on what happens in the U.S., specifically on a street that we call Constitution Avenue where the nation's central bank, the Federal Reserve, is located. All eyes are on the Federal Reserve these days because the central bank, as you know, has been engaged in a process of withdrawing some of the excess liquidity that it injected into the economy earlier in this decade in an effort to revive the economy from the last recession, which was in '01, and to ensure that we would not tumble into a situation that we last encountered in the 1930's and the Japanese economy in the 1990's, a situation called deflation which is falling prices; I'll get back to that in a little while.

It was two years ago this month that the Federal Reserve decided that the greater threat to the U.S. economy was no longer an economic slump and deflation, but rather the possibilities of inflation, and so it began to raise interest rates, tighten up money and undo some of what it had done several years earlier. Prior to that, interest rates had gotten to the lowest level in 45 years, since the late 1950's. The overnight Federal funds rate reached 1% and other interest rates, both short and long•term, were low accordingly. As a matter of fact, ten year Treasury notes at one point were a little over a 3% yield.

Now, these low interest rates encouraged a great deal of activity, not only borrowing but it also raised significantly the value of the single largest purchase that individuals make and that's, of course, their house. And so a housing bubble formed nationwide, but especially in markets like Long Island, South Florida and on the west coast. This housing bubble initially was positive for the economy, it enabled people who would otherwise not qualify to buy a house to be able to do so because the biggest cost of homeownership is, of course, the interest cost. You take on a typical mortgage for 25, 30 years, you're paying several times in interest what the house costs you, so you can understand how important interest rates are. When interest rates sunk to 45 year lows, lots of people were able to buy houses and, of course, housing supply cannot respond to housing demand the way briefcases or cell phones or suits or clothing can because it's a long process. As you know, labor has to be put together, real estate has to be purchased, plans have to be submitted before zoning boards and so forth. So invariably, in a rising housing market, demand exceeds supply, prices go up.

Now, the fact that home prices went up so sharply nationwide and even more so here on Long Island enabled people to in the vernacular use their homes as a piggy bank. One of the characteristics of this economic recovery is that the jobs that have been created have been much fewer than usual and many of the jobs that have been created have been relatively low paying jobs, this is true nationwide and as I will tell you in a few minutes, it's especially true on Long Island. In the early 1990's, following the recession of '90, '91, we had what was then called a jobless recovery; this was the era of corporate downsizing and outsourcing and the advances in technology that have occurred since the 1990's have enabled this to take place to an even greater extent. So the bottom line is that household incomes have grown much less than usual, but yet household expenses and household needs continue to rise such as for energy, such as for health care, food, clothing and other necessities.

It was the rise in housing prices that enabled households to take care of these needs because they were able to tap the built•up equity in their homes thanks to the very low level of interest rates. Well, now here we are two years later and the central bank, the Federal Reserve, has raised interest rates 16 times since the middle of '04, a quarter of a point per meeting. And at the end of this month the bank meets again, the markets fully believe that there will be another increase in interest rates with which I concur. And in my column for Marketwatch, which should be up today, I speculate that there will be yet another rise in interest rates coming in August when the Federal Reserves Open Market Committee next meets. So this will bring the overnight Federal funds rate from 1% two years ago to perhaps five and a half percent by August, which is quite a hefty increase.

(*Legislator Viloria•Fisher entered the meeting at 9:36 A.M.*)

It has already begun to take its toll on the economy. Payroll employment nationwide in the month of May grew by only 75,000, much slower than expected and much slower than in previous months. And it's beginning to take its toll here on the Island as well because housing is the nation's single largest industry upon which not only jobs are dependent for the construction of new homes or the sale of homes, but of course the furnishing of homes once these homes are purchased, new and existing homes. The fact that interest rates have gone up so much has done a couple of things. First of all, it has precluded many people from buying a house. That being the case, it has turned the seller's market into a buyer's market, but even more important, it has prevented people from using their home as an adjunct to the lack of income growth, and it is also responsible for the fact that many people are now looking at significantly higher interest payments.

A couple of years ago, as a matter of fact in early '04, before the Federal Reserve began its regimen of raising interest rates, then Fed Chair Allan Greenspan remarked to an audience that he was amazed why people would take out a fixed rate mortgage where rates were higher as opposed to an adjustable rate mortgage where rates were lower, and I'm thinking to myself, here's the guy who is in charge of interest rates and he is likely to start raising interest rates soon and he is advising people to take out adjustable rate mortgages; that didn't compute with me. And I think people who took that advice are now going to pay the piper because many of these adjustable rate mortgages are now beginning to reset and a lot of individuals who got into their first home by the skin of their teeth are now faced with monthly payments as much as 50, that's 5•0, 50% higher than when they first came in. As you can imagine, this might be problematic for lending institutions in terms of delinquencies, not to mention other related issues; hopefully it will not get serious but it certainly doesn't look good.

With this in mind, I would like to turn specifically to the Long Island economy which, as I said before, like any regional economy, is affected by national trends. On the surface things look very good. Taking a snapshot of the Long Island economy as it exists today, we are in better shape than probably most locales around the country. According to the latest figures from the New York State Department of Labor, there was a pretty good size gain in payroll employment for both Nassau and Suffolk combined; in the 12 months ending May, 7,600 people. That pales by comparison with some of the bigger numbers back in '04 where 12 month gains averaged 15, 16,000, or if you want to go back into the late 90's, we had 12 month increases in the mid to upper 40,000's. But compared with what we've been running, for example the 12 months ending in April •• the increase was only 3,800 •• 7,600 looks pretty good.

More to the point, the unemployment rate is down well below the national average. The national average is 4.6% and for both counties, individually as well as collectively, the unemployment rate is 3.8%. For Suffolk County the 3.8% matches the recent low of 3.8% in October of '05, and beyond that you really have to go back to July of '01 before you find the unemployment rate as low as 3.8%. So from that perspective, statistically we're looking very good.

As you know traveling around the area and as I have encountered traveling around Suffolk as well as Nassau County, there are no shortage of cars and SUV's and trucks running around, presumably getting people to and from their jobs and their shopping centers and the like. But once we drill down beneath the surface, we see that perhaps there may be a few storm clouds ahead. Sales tax revenues are still growing. As we calculate them from the New York State Department of Taxation & Finance •• and I understand from Mr. Lipp that perhaps it's not exactly the same as you get it, but I have the same issue with Harry Weissman too and every once in a while we talk with each other on this, but it's an apples to apples comparison, so allow me.

For Suffolk County I run sales tax numbers two ways; one, a 12 month moving total and I do that for Nassau, too, so we can see how we're doing in the most recent 12 months, and then the current month versus the year ago month. So for Suffolk County, for the 12 months ending in May, sales tax revenues were up just under 4%, 3.9% to be precise. In May of '05, the 12 month increase was 3.6%, so in that regard we're doing at least the same, if not a little bit better. However, in the 12 months ending May of '04, the increase in sales tax revenues was 16 and a half percent. As a matter of fact, in '04, except for December, there were double•digit increases in all of the months. In May of '03 the 12 month increase in sales tax revenues was

8.5%. So we look good only by comparison with the recent past, but by earlier standards, which perhaps we had gotten accustomed to, it's pretty clear that sales tax revenues have slowed down. Let me give you the May over May figures and then I'll give you my thoughts as to why sales tax revenues are slowing.

In May of this year •• and again, these are the numbers that we get from the New York State Department of Taxation & Finance which may not totally agree with Mr. Lipp's. We have a decline compared with May a year ago of point five percent, half of 1%. In May a year ago the increase was 5.2 •• excuse me, 5.42%, okay; now, that's just May '05 over May '04, not 12 months. In May '04, the increase over the previous May was 22.7%, so it makes the same point perhaps more graphically.

Now, before I move on to other statistics, let me offer my thoughts as to why sales tax revenues are slowing down. And by the way, it is true to the same extent with different numbers for Nassau, so we're not talking about something out of the ordinary in that respect for Suffolk; I mean, it's true for Long Island as a whole. I think clearly the jump in energy prices is having a major impact. Now, it is true that when we fill up our tanks with gasoline we are paying sales tax and obviously it's based on the value of the purchase so it's an ad velorum tax, and that is boosting, to some extent, sales tax revenues. However, the sharp jump in gasoline prices is causing people to, A, look for ways to conserve and anecdotally our information tells us that a lot of the big SUV's, gas guzzlers are sitting on dealer's lots and people are buying the smaller vehicles, more fuel efficient vehicles, they're even looking at some of the hybrids. So as your local gasoline station attendant will tell you, they're probably not pumping out the same volume as they did last year, much less an increase. The dollars are higher but that's because the price is higher.

Secondly, people are looking to consolidate their trips. Instead of making four or five trips, a day dropping the kids off at school, going to the mall, going anyplace three or four times and then coming back, they're trying to consolidate, there's more carpooling. And, and this may be a plus for downtown areas, they may be doing more shopping locally. So big shopping centers, the malls •• and again, I don't have specific information on this, but I believe that in a situation like this, because it happened back in the 70's when I was living out here and we experienced a similar situation, compounded by controls which lead to long gasoline lines, you may recall, many people decided to go to their local Main Street and do shopping. And I think many merchants, local merchants in towns and villages across the Island are taking this opportunity to convince people to shop locally, not only saving gas but getting all the benefits of shopping nearby, that's another issue.

But the last reason here is that by having to pay more for such a necessity as gasoline and of course all forms of energy, we're talking about electricity where there are fuel surcharges and air•conditioning and of course heating earlier on this year, it leaves the average consumer with less money to pay for other items and so there's a scale back in consumption in general. So I would expect going forward that growth in sales tax revenues will moderate even further. I'm not prepared to say that there will be no growth for this year as a whole, but I would certainly err on the side of conservatism in planning for revenues derived from sales taxes.

Property tax revenues, as you know, tend to lag behind, they're not as regular, they're not as frequent. So what's going to happen is a year or two down the road you will see the lagged effects of the softening in housing prices which, by the way, brings me to that issue right now. The figures that I'm citing come from the Long Island Board of Realtors, they are median closing prices and median is the geographic midpoint of a set of numbers, and it can be affected by the prices of the houses that are sold. So if more higher price houses sell, the median goes up without necessarily being indicative of a strong housing market. Median does not track the price of the same home from month to month to month. But again, anecdotally, talking to some friends of mine who are real estate agents, they tell me that the average house is going down in price. And so the fact that median home prices are going up is really a reflection of the fact that the higher price homes where buyers are not as sensitive to interest rates and the availability of money, are moving at a more reasonable pace whereas the lower price homes are not.

Having said that, for Suffolk County in the month of May, median home prices were up 4.8% from May a year ago. If you want the actual figure, again, according to the Long Island Board of Realtors, the median home price •• the median price of a home sold in Suffolk County in May was $395,000, a year before, in May of '05, it was $377,000.
Now, in May of '05, the median price was 10.9% higher than May of '04, and in May of '04 the median home price was 21.4% higher than in May of '03, so you see what's happening here. And if we were to go back in to '02 and further, we would see not only double•digit increases but increases in the high 20's. So it's pretty clear from this perspective that Suffolk County's housing boom, if you would, at the very least has slowed down, if not sprung a slight leak.

Even more telling is the available inventory of existing homes. Again, the source is the Long Island Board of Realtors, the latest month is May, and in May there were 50, 5•0, 50.3% more homes on the market than in May a year ago. Actually, earlier this year the percentage increase was as high as 66% on a 12 month basis, but now we are catching up to the fact that the base began to rise last year at this time. In May of '05, the number of homes available for sale was 28.7% higher than in May of '04; in May of '04, the increase was less than 2% over the previous May. So again, you can see the trend developing and that is responsible for what I said before, that it is more of a buyer's market now and not a seller's market. Sellers are either looking to cash in on the big increase in housing prices that has taken place, and/or are simply unable to sell their houses at the prices they would like and so the house is staying on the market longer.

Now we come to existing home sales. So far this year •• and these data come from the New York State Association of Realtors and they are only available through April •• in every month of this year existing home sales were below the comparable month a year ago, down 6.4% in January, down 7.8% in February. These are the same months over a year ago, so it takes into account the normal slow down in the winter time, down 9.3% in March, down 3.9% in April. A year ago there were the beginnings of this decline as there was a decline in April and in February of 2% and 4.2% respectively from the year before. In early '04, we had double•digit increases in the mid to upper teens in terms of percentage change year over year. So we have a combination of slower sales and more homes on the market.

This gives us my last housing figure to present to the committee which is the month's supply. Month's supply is really the way to look at any kind of sales figure, whether it's housing or automobiles or sweatshirts or what have you, because it tells you how many months of inventory you have at the current sales rate. To put it in perspective, for Suffolk County in April of last year, April of '05, there were 8.5 months supply of homes on the market. In April of '04, there were 6.4 months supply of homes on the market; in April of this year, that has jumped to 14.5 months supply. You have to go back to 1995 at the end of the previous housing decline to find this figure or more in terms of month's supply.

So my conclusion is that because it is the intent of the Federal Reserve to fight inflation and fighting inflation means raising interest rates and restricting the availability of money in the economy, the U.S. economy which is already slowing down will slow further. The vehicle this time around is the housing market, nationwide and here on Long Island.

Now, Long Island, we are fortunate that so far the economy looks okay but we see signs through sales tax revenues and through the housing market that the economy is going to slow, not grow, as we go forward. The extent to which this slow down continues will depend, of course, on decisions not made on Long Island but made out of Washington, specifically by the Federal Reserve which is doing what it's supposed to do and that is to enhance its credibility to fight inflation and in doing so to raise interest rates until the economy slows enough so that inflation remains at bay.

Just a word of caution as I conclude, monetary policy and indeed the study of economics, which I am fortunate enough to be able to teach at Hofstra, is an imprecise science. You can't simply say, "Well, I want one and a half to 2% inflation," and achieve it; you can't simply say, "I would like the unemployment rate for the U.S. to be four and a half percent because that's a nice low rate," and achieve it. Monetary policy has been likened to driving a car with a loose steering wheel; the car drifts to the left, you correct to the right, by the time the car starts moving to the right, you have to start correcting to the left. It's the nature of the game. Economics is not a hard science, it's a social science, it's a science of individual decisions made by millions and millions of people, not to mention unforeseeable events like hurricanes, geopolitical developments and other such things.

So we just have to go by what has happened in the past and by what we think will happen going forward. And my conclusion for you folks is that conservatism would be the appropriate path in determining budget and spending plans, because the likelihood is greater that revenues will fall short of expectations, at least over the next year or so, rather than exceed them. Thank you.

LEG. ALDEN:
Questions?

CHAIRMAN MONTANO:
Yes. Thank you very much, Doctor. It's been over 35 years since I've sat in Economics 101. There are going to be some questions, I'm sure; I have one or two and then I'm going to open it up to the members of the committee.

I was just taking some notes here. You mentioned, your first part of your presentation dealt with the payroll employment figures; now, that to me presupposes that there are possibly figures that affect the economy that aren't included in this and, you know, what I'm talking about is maybe an underground economy. I hear a lot about the fact that, you know, we have a large influx of immigrants into the Long Island economy, that contractors are paying people off the books which I guess wouldn't figure into your figures, we hear a lot about the quality of life issues on Long Island with respect to housing. I just want to get a general sense from you, your impression of what the impact of this labor force has on Long Island because your second point was that the unemployment rate is down to 3.8% and if I remember correctly, that seems to be full employment, the economy. So where does that population fit in.

And just some more background, Dr. Kamer had come before this committee a couple of months back and she had indicated that her figures, years ago we were growing jobs at the rate of 30,000 per year, at the rate of 41,000 per year, now it's slowed up to maybe growth at the rate of

10,000 per year with an entry level of 29,000. I asked her what affected that in view of housing prices and she said that the high rate of immigrant labor coming in to Long Island had an impact on those figures. So I'm just wondering, could you briefly touch on how that effects, how the immigrant labor force affects the figures and the economy here on Long Island?

DR. KELLNER:
Well, first of all, Legislator Montano, I would point out that the underground economy has been around not only Long Island but the U.S. for years and years and years. I recall back in the 1960's a professor at NYU did a study for the U.S. as a whole and concluded that the underground economy, in its dollar value, is equivalent to about a third of the overall reported U.S. economy. Now, the underground economy consists of several different categories, there's the so•called legal underground economy wherein the plumber comes to your house and says, "Give me cash it's $30, give me a check it's $50." Then there's the illegal underground economy with illegal activities that are fairly obvious.

As to your question, I don't know what the Department of Labor picks up or not. I would suggest to you that if you want to pursue this further, you contact Gary {Hooth} who is the U.S. Department of Labor's representative out here and he can tell you precisely what's in the figures. I can tell you from the May payroll figures that a lot of the increase has •• took place in relatively low paid industries and industries which might be populated by the immigrant labor that you refer to. I just checked off a few, for example, as against the average percentage change, the overall average of 0.6%, that's what that 7,600 works out to, a percent change for Nassau/Suffolk of 0.6% over a year ago.

There was an increase of 3.5% in building material and garden equipment employment, another increase of 3.5% in clothing and clothing accessory stores; 2.9% in department stores; couriers and messengers, 3.4%. On the other hand, in relatively high paying activities such as finance, insurance, there were declines. So to the extent that these numbers are picked up somehow by official statistics, they are lower paid jobs. And as I said, Gary {Hooth} would be the one to tell you whether or not these folks are picked up in some way or another in these employment figures. The numbers cited by Pearl I referred to earlier in my presentation, back in the 90's we did see increases in the mid 40,000's per year, so she's absolutely right on that.

As to the reasoning why we've slowed down in employment growth, I think there are many. We are a mature economy, as Tom Suozzi and I'm sure Steve Levy will agree, probably more in Nassau than in Suffolk County. The cost of living is very high here, many youngsters move on to other parts of the country where it's easier for them to get a job, many employers are finding it difficult to attract people to come and live here and there simply aren't the opportunities that existed years ago, especially when the defense sector was stronger and, you know, we were growing that sector. I think it would take quite a bit of research to determine exactly why we are slowing down in growth beyond the general statement, with which I agree, that we are a mature economy.

CHAIRMAN MONTANO:
Thank you. One last question on my part; we're now going to be, in the near future actually, reviewing the proposed operating budget and also the proposed college budget. With respect to the operating budget, we rely, I think it was 55, around 55% of our revenues is derived from the collection of sales tax, and we have to estimate what our collections in revenue would be for the following year. Now, I know you gave some figures over a 12 month period, but if you could just guesstimate from January of the coming year for one year, what do you think would be a reasonable expectation of growth in the sales tax?

DR. KELLNER:
Well, judging by the trend of the numbers that I see here, Legislator Montano, I would be comfortable projecting for 2006 as a whole an increase of about three and a half percent in sales tax revenues, and for next year 3%; I would rather be conservative than overly optimistic. I would be hopeful that the figures would exceed my projections, but I would stick with three and a half for this year and 3% for next year.

CHAIRMAN MONTANO:
Thank you very much. I'm going to •• Legislator D'Amaro, do you have any questions, as Chairman of Ways & Means?

CO•CHAIRMAN D'AMARO:
Yeah, just very briefly. I'm also concerned, as everyone else on this Legislature, with the sales tax picture. The national economy, the concern is rising •• inflation rather, and there's an entire policy being put in place then to control that. The result of that, though, here locally is that it is slowing down our local economy, if I understand what you're telling us this morning. But if prices are rising and sales tax is a function of price, how is it that the projections continue to decline? It seems to me that there's a disconnect there.

I understand that maybe less goods are actually being sold and the prices, even though they're increasing, are not enough to offset the decline, but is that a trend that's going to continue? In other words, are we going to continually experience higher prices with declining sales tax and when does that bottom out?

DR. KELLNER:
That is a very good question. In my Marketwatch column that was up last week, and for all I know may still be up now, I wrote about inflation and how, for all of the complaining that you hear about inflation, there are many, many people, many groups, many sectors of the economy that not only like inflation but that benefit from inflation. For example, homeowners like inflation because it boosts the value of their home and it enables them to tap into the equity, as I mentioned earlier. Business likes inflation because it can raise selling prices in an era when prices in general are going up and not stand out in a crowd.

The threat of higher prices also encourages people to buy sooner rather than later which will further enhance business sales and profits. There is something called the money illusion which I don't want to get too deeply into here, you already accused me of teaching Eco 101 to the Legislature. But, you know, businesses overlook the money illusion, they just want to see the dollars come in, even if the dollars are not as valuable as they used to be, that doesn't show up on the income statement. But governments like inflation for exactly the reason that you mentioned, Legislator D'Amaro, because governments at all levels benefit from higher prices, Washington benefits because higher inflation boosts incomes and puts people in higher tax brackets and they get more tax revenues there; the Alternative Minimum Tax is an excellent example of how Washington is getting more revenue as people move into higher tax brackets. And, of course, inflation does boost revenues from sales taxes and property taxes.

Now, to get to your question, which I believe you gave the answer to, higher inflation does boost the dollar value of sales, but because many people on Long Island are having so much trouble getting by and now they're faced with resets on their mortgages and they're faced with higher energy bills and higher health care costs, they are looking to either buy less or buy from cheaper outlets. And the combination of the two offsets, the higher inflation that may be prevalent in this area. And then, of course, it is the Feds' vowed intention to bring the rate of inflation down to the point where it does not enter into people's decisions to buy, sell, borrow, save or invest which in plain English means about half the current rate.

CO•CHAIRMAN D'AMARO:
So it's a fair assumption then that although prices may be rising, for instance energy prices, that it doesn't necessarily result in a windfall in sales tax; in fact, it's just the opposite.

DR. KELLNER:
In its initial stages it does, but here on Long Island people are so sensitive to higher energy prices because, as you know, it's a suburb and we all need our vehicles to get around. I don't know about you, but I see inflation every day because every day when I leave my house I look at my local gas station and I check the prices, and for the last week they have been steady so I'm happy with that. But people are constantly aware of what's happening to the price of energy by the signs that are posted on the gas stations, and so it doesn't take long before the higher prices begin to affect people's mindsets. So there is a benefit but it's a short•lived benefit.

CO•CHAIRMAN D'AMARO:
And my last question is do we, by controlling let's say sales tax maybe on a

State level, the County level and also property taxes, do we have the wherewithal as a local economy to make adjustments to our own taxes and impact the local economy here on Long Island, or is that overridden by the force of the national economy and what's happening on the national level?

DR. KELLNER:
Well, that's an excellent question because I have always believed in competition, and I say this as a resident of Nassau County. But the fact is there are ways that you can offset this by lowering the sales tax temporarily or providing other means to get people to buy now before prices or taxes go up. It may look as though initially you're reducing revenues, but in the longer run you will be benefitting because people will be jumping in to buy, this will create jobs, this will create more sales and more sales tax revenues. So you really have to, to the extent that you can control your own fate, it would be through something like lowering sales taxes. You have a special sales tax reduction week such as we've had, you've had, we've had and so forth, there are •• there is evidence that people will respond to this. And I think nowadays, in a climate where people are uncertain about the state of the economy, they're worried about energy costs, they're worried about health care costs, they're worried about being able to hold on to their house, anything you can do to assuage their concerns will not only help them but may very well help the economy at large; that is an excellent point.

CO•CHAIRMAN D'AMARO:
Thank you. And just to follow•up on that, that, of course, makes an assumption that whatever savings we try and create would, of course, be realized by the consumer.

DR. KELLNER:
That is correct.

CO•CHAIRMAN D'AMARO:
I mean, if they're not then it has no impact.

DR. KELLNER:
That is correct, but I think any savings that you do create will be realized by

the consumer. The only point here is that the savings rate, how much we collectively save after we pay all of our bills; I don't know what it is on Long Island, but nationwide for the last 13 months or so, the savings rate has been negative; in other words, the national economy households have been spending more than they have been making. Now, Ladies and Gentlemen, the last time we had a negative savings rate for such a long period of time, and indeed for last year it was enough to cause the full year to be negative, was 1933, at the bottom of the Great Depression. The excuses this time around are, "Well, my house is going up in value, why do I have to put money away in the bank? I can always tap my house"; not anymore.

So initially some people may use anything that you give them in the form of a sales tax rebate to bolster their savings, but hopefully enough will spend it because they have to, okay. And that's what you're counting on to create more sales, more jobs and, you know, get the cycle moving in a positive direction.

CO•CHAIRMAN D'AMARO:
Uh•huh. Okay. Dr. Kellner, again, I thank you very much for your help and your advice this morning and I'll turn it back over to our Chairman, Legislator Montano.

CHAIRMAN MONTANO:
Thank you, Legislator D'Amaro. We have some questions from Legislator Schneiderman and then followed by Legislator Alden.

LEG. VILORIA•FISHER:
I also have questions.

LEG. SCHNEIDERMAN:
First, I also would ••

CHAIRMAN MONTANO:
And then Legislator Viloria•Fisher.

LEG. SCHNEIDERMAN:
I also would like to thank you, Dr. Kellner, for taking time out of your busy

schedule to speak with us this morning. I have a few questions. The first one you've answered in part already in your last response to Legislator D'Amaro, but I want to go a little bit further with it.

When you concluded your remarks at your •• at the opening, you spoke of recommending conservatism. And of course we •• nobody here wants to waste money, but the reality is that we are a large human service organization, Suffolk County, we provide an array of services. We are seeing •• as the cost of living increases, our 11,000 employes need to stay here, we have to obviously increase wages so that they can stay here, as poverty increases that can affect crime, and we run obviously the County jail. We provide Medicaid service; as more people qualify, our expenses go up. And, you know, one of the things I look at when I look at an economy is what is happening to the middle class, is it •• are people moving out of poverty and into the middle class or vice versa. And it seems in Suffolk County, and I don't know if you have specific details, that its going to be very difficult for us to shrink the size of the overall County budget, because we're seeing more need for the types of services, the human services that the County provides.

So, in your •• in your response to Legislator D'Amaro, you began to look a little bit about how you increase sales tax revenues, because you may not be able to cut your way out of this. How do you stimulate the economy? Now, one thing you suggested, or at least spoke of, was maybe reducing sales tax, actually stimulates the economy and, therefore, it nets you more sales tax revenue. But I wanted to ask you more specifically, I've noticed things like, for the first time in a long time, empty buildings in the Hauppauge Industrial Park, I've seen the data about young higher wage •earners leaving this area. What can we do to attract businesses to stimulate Suffolk County's economy on a regulatory level? What can the County do to stimulate growth?

DR. KELLNER:
A very good question, because there are more ways to stimulate growth than simply cutting sales tax revenues, and I'm sure you've thought of these already, I'm not inventing the wheel, but, obviously, offering incentives for businesses to locate and/or to expand in Suffolk County would be one way

to do it. You know, the trend in American business is to send call centers to the •• to the lowest cost part of the world. Initially, it would be to areas like Scranton, Wilkes Barre, Pennsylvania, or Down South or in the Midwest someplace, but now, of course, it's to other countries. It's a plus or a minus, especially when you're going to other countries, you're dealing in language barriers and different time zones, and people who are far from corporate headquarters who don't know all the answers and the corporate way of doing things. Many companies have found that they can do better by bringing their call centers back to the U.S. and closer to home. And maybe there is some program that could be developed that would encourage companies to take advantage of the labor and of the space that exists here to develop and bring back call centers where you would be hiring people. You know, it need not necessarily be in the form of financial inducements as much as regulatory inducements. I would leave that to you folks to work out the details.

As you were talking about open empty space, I was looking at other statistics that I didn't refer to, Long Island office vacancy rates. For Suffolk County, and the source for this, by the way, is C.B. Richard Ellis, for Suffolk County, the vacancy rate in the first quarter of this year for office buildings was 14.5%, up from 14.1% in the fourth quarter, and 13.5% a year ago, 11.2% two years ago. So what you're saying is showing up in the data. Rental, however, are still holding in around $23, $24 a square foot, so the rental market has not yet reflected the excess space. This is a private sector decision, not a public sector decision.

But I would think that since you do have to provide a certain level of services to the population, and since you probably squeeze all the efficiencies you can out of the budget, that the way to grow the economy is to try to provide inducements for businesses to stay and, more important, to come from whatever part of the country, and perhaps you might want to take a look and see just exactly what kind of labor skills Suffolk County would have to offer, and call centers, it seems to me, might be a good starting point.

LEG. SCHNEIDERMAN:
You know, and this will segue into my second question. I think one of the

disincentives to businesses is the high cost of living here and how they •• how much they'll have to pay their labor, and a lot of that comes from the high cost of housing. And you had spoke before of a housing bubble, and we know what happens to bubbles, they burst. You had given some numbers such as the appreciation and home values of •• it was under 5% now. In the past it was much higher. Banks are giving 5%, so I know a lot of the housing market has been driven by speculative builders, and if they can make more money keeping their money in the bank than in housing, I think there's going to be big shifts. So my real question on the housing, since you did refer to it as a bubble, and I lived through the •• when the bubble burst in the '80's and we saw a 30% correction in the housing market, what are you anticipating? Will there be a correction here? How big a correction? What are some of the ramifications of that?

DR. KELLNER:
I think there will be a bigger correction in the housing market than most other people in my field or in the housing area they'd sell have recognized. I say that because of two factors, one, the fact that home prices have gone up so rapidly. Here on the Island, the average home has doubled in price between five or six years, depending upon specific location. Nationwide, the average home has doubled in just under ten years. Either way, that's a huge increase in prices. And, secondly, but as part of this, it was because of the extremely low level to which interest rates had gotten between '03 and '04, and now they're on the way up. And today's column in Market Watch says we don't know •• let's admit that we don't know how much further the feds are going to raise interest rates. You know why? Because the fed doesn't know either. The Federal Reserve will keep raising interest rates until it sees that the economy has slowed enough to bring inflation back to this so•called range of comfort, that new Chairman {Ben Bernanke} and his colleagues have indicated, which we take to be somewhere between 1 and 2%. Remember what I said before. Economics in general and monetary policy in particular are imprecise sciences and monetary policy as imprecise tools. The policy•makers at the fed can want to achieve something, but achieving it is another story altogether. Invariably, they overcorrect, they overshoot. So I think that housing prices nationwide will probably fall about 10% over the next year or so, and I would say that's the least we can expect here on Long Island. In fact, you can probably find individual cases

where asking prices have gone down by that much or more, and the house is probably still sitting on the market.

As to your point, Legislator Schneiderman, about affordable housing, affordable housing takes the form of many forms. The most likely venue for this would be downtown areas, Main Street, where real estate values permit the construction of units at a lower price, and where zoning laws would not be unfavorable to that as well. Here perhaps the County might look at some inducements to help builders engage in such activities. My only point, and this would be true for both counties, and I have already mentioned this at a conference we had at Hofstra a couple of weeks ago on the multiplicity of taxing districts on Long Island, which you are all familiar with, is that by assuming that you get affordable housing and assuming people move into this affordable housing, the next question is where are they going to work? If they're going to work near where they live, that's fine. If they're going to work somewhere else, add a couple of more vehicles per family to the road. And I don't have to tell you what traffic looks like, even in off hours.

LEG. SCHNEIDERMAN:
My third question, I'll try to be quick, I think these are important questions, again, Suffolk County is a •• you know, our largest source of revenue comes from sales tax, and there is a certain amount of economic activity that is escaping for one reason or another sales tax. We had used an example earlier, the plumber, I think you talked about, had two different price schedules, or Legislator Montano talked about an undocumented immigrant who actually, although may not be paying income taxes, may be buying things in local stores. But there are certain things that clearly are escaping us in terms of sales tax. If the immigrant sends money back to his country of origin, that's money that's leaving the economy. Businesses that could have happened on Long Island or Suffolk County that are being done elsewhere for Suffolk County. I'll give you an example. We spend, as Long Island spends, I think approximately 200 million dollars on tipping fees to handle our waste out of state. That's 200 million dollars used to be handled in Suffolk County now is going to Virginia and elsewhere that's not subject to sales tax. Another big area is internet sales that, you know, when you buy out of state not only are hurting your local merchants who would be able to make money and then spend it hopefully in Suffolk County, but now you're

taking, you know, all this sales tax, potential sales tax revenue out. Any ideas on how to legally recapture any of that money?

DR. KELLNER:
Well, you know, on a national level, there's been talk every so often about replacing the income tax where you really lose revenues from underground activities, undocumented or otherwise, with a national sales tax, known as a value•added tax, because the same plumber that you would give cash to, when he goes to the store to buy plumbing supplies or even groceries, you would capture the sales tax revenues there. The downside to a national sales tax, however you want to call it, is that it is a regressive tax, because you or I would pay the same sales tax rate as {Warren Buffet} or Bill Gates, okay, whereas income taxes are presumably more progressive.

The Internet is an issue that, of course, has been affecting states and local governments for the last 10 or 15 years, ever since it became the factor that it is in purchases, and I think this is beyond just Suffolk County. There has to be some kind of an overall agreement among the different states and local governments as to what to do and how to capture these sales tax revenues. I think it's beyond the purview of your committees in particular. But I do believe that a sales tax such as exists now, assuming activity remains on the Island in Suffolk County, and, obviously, we cannot deal with tipping fees, etcetera, such as you mentioned, that's an environmental issue, that would be the best way to capture these revenues. The so•called undocumented immigrant doesn't send all of his money back home, he's got to spend some money to live. And so you capture some portion of his income in the form of sales tax revenues, provided that the retailer, the merchant keeps proper books.

LEG. SCHNEIDERMAN:
I'd love to talk more on this issue, but I'm going to jump to my last question and try to move on, and it's something I think that's been on everybody's mind and this is the debate over capping the tax on gasoline, and you had spoke earlier how sometimes lowering sales tax could have a stimulatory effect. I know that this is the time of year, particularly July or August, where Suffolk County sees a lot of sales tax revenues from tourism, this is the height of our summer season.

We, I think, have missed an opportunity to be able to opt in or even have that debate, now we're looking at maybe September. But I wanted to get your opinion of whether you think, you know, based on the conservatism that you spoke of earlier, and in reconciling that with what you had said also about the stimulatory effects, what is your recommendation or do you have one? Is that a good idea, is it a bad idea, helpful, harmful.

DR. KELLNER:
The answer is all of the above depending upon what body of government you're talking about. As it applies to Suffolk County, considering that a good portion of your revenues benefit from tourism at this time of year and tourists are a really captive audience. I would not cap sales taxes on gasoline because one way or another, they're going to have to buy gasoline when they're out there and you might as well get, your know, your share of the gasoline revenues.

As a general statement, it might be a good idea, again, just to help the buying power of your citizens, but perhaps after the tourism season is over. Tourism is going great this year because of Wall Street and because of the dollar is down, again, as many currencies and lots of foreigners are coming here, its cheap for them.

On the national scene, capping taxes on gasoline is good short•run politics but bad long•run economics. Because what it does is it will reduce the incentive for people to conserve to get more fuel efficient vehicles and what we want to do is we want to conserve gasoline, we want to shift people away wherever possible into other forms of propulsion, we want to encourage companies to generate these other forms of propulsion, and that will only occur if the correct incentives are in place. So from a national perspective, you know, it's great politics but it's not good economics because it's only going to keep people reliant on gasoline which we don't want to do.

LEG. SCHNEIDERMAN:
Thank you.

CHAIRMAN MONTANO:

Thank you. I'm going to move on to Legislator Alden.

LEG. ALDEN:
Thank you for coming down and thank you for •• I think it's very sage advice to be conservative on our projections and you put a smile on somebody's face, Robert Lipp over there was smiling; you like the idea, be conservative with the projection for next year.

Doctor, when you start talking a little bit about inflation, where is the line drawn between supply and demand and inflation? Because in the energy market, to me it looks like •• I'm not so sure that's inflation, you know, the price is pretty much set, or a barrel of oil the price is set by a group of people that we consider our friends, or foes at different times, and that's pegged pretty much •• I can't really figure out how they peg that. But to me, inflation, if you could explain that to me and where you can differentiate between just a normal supply and demand of things.

DR. KELLNER:
Well, as Nobel Prize•winning economist Milton Freidman, who is still around, would say, inflation is first and foremost a monetary phenomenon; it occurs when there's too much money chasing too few goods.

In an interview I gave about ten days ago or so to Jim Bernstein at Newsday, we did a little Q and A on the subject, and I likened inflation to a pile of rubbish strewn with kerosene. The kerosene does not create a fire; the match does. The kerosene is the excess money; the match is the proximate or the immediate cause of inflation. This time around, the immediate cause of inflation is higher energy prices; in times past, it might have been a very tight labor market or some other factor.

So with the understanding that inflation is a monetary phenomenon, the Federal Reserve, for reasons dealing with the fact that we were in a recession back in '01, we had 9/11 as you know, we had fears that the price level would not only stop rising but would actually begin to fall which, in many respects, is just as dangerous as inflation, the Fed flooded the economy with money; in effect, it was an accident waiting to happen and the match was higher energy prices.

Now, how the price of oil is determined is, as you say, indeed a very complicated issue. But in general, we do know that demand is strong. Because energy prices here are still low compared with other parts of the world, people have used energy inefficiently by buying big fuel inefficient vehicles, by keeping their air•conditioning thermostats on low and their heating thermostats on high and the suburbs have grown in part by this manner as well. We also know that other countries are very strong. China is a growing economy that is growing at rates of speed that we haven't seen in decades. In fact, the Bank of China is trying to slow things down before that economy begins to overheat. But China is a major user of energy in the process of converting this growth into goods and services for export as well as for their domestic economy. So the inflation that we see today in the U.S., and believe me, by standards of 25 years ago, it is extremely moderate; in the early 80's we had prices going up 15 to 20% per year and interest rates, of course, were high accordingly.

But the fact is that the inflation that we're seeing today is a byproduct of the earlier injection of liquidity that the Fed established in order to pool the economy out of recession, coupled with the •• and it's bad timing, but coupled with the rise in energy prices because of the growth of China, because of geopolitical developments, because of the hurricanes, all of that adding to prices.

Now, one point that I'd like to make here and that is that the government, in releasing its inflation statistics, looks at the overall number and then looks at something called the core or the underlying rate of inflation which removes food and energy from the picture and looks at everything else. And I have always said that that's a misnomer, because we all consume food and we all consume energy, and I'm sure we can all cite chapter and verse of fuel surcharges being tacked on to everything, the car service that brought me out here has a fuel surcharge, the ferry that you take across the sound has a fuel surcharge, the food that my country club buys has a fuel surcharge, and all of this has worked its way through the system. The job of the Federal Reserve now, in the words of a Chairman from the 1950's and the 1960's, William {McChesney} Martin, is to take away the punch bowl before the party gets too exciting. Ladies and Gentlemen, the party is already pretty exciting.

LEG. ALDEN:
Now, if they shrink the supply of money, that should •• I mean, in theory, right •• it raises the price of a dollar.

DR. KELLNER:
Yeah.

LEG. ALDEN:
Okay. To what extent is gold, the price of gold a barometer of the value of a dollar; is that pretty much linked?

DR. KELLNER:
Well, gold is a proxy for inflation psychology as opposed to any particular use by industry. We all know about gold jewelry and certain electronic items have used gold in the wiring, but gold or the so•called gold bugs will go up in price as people flee, dollars, which are declining in value in a period of inflation, and move into hard assets. Earlier they moved into real estate, they moved into gold or silver or platinum, but in the past couple of weeks, Ben {Bernanky} has orchestrated a rather impressive set of statements and speeches by him and his colleagues indicating that they are •• that there should be no doubt in anybody's mind that inflation is public enemy number one, curing it is job number one, they're withdrawing liquidity and that's why the price of gold collapsed from its almost record high of about a month or so ago.

Let me just give you one little statistic on gold •• as you can tell, I'm a numbers person •• that might be of interest. All the gold known to exist in the world today, including the gold that's in the central bank, vaults and the like, if melted into a solid block, would be no larger than two Statues of Liberty; in other words, there really isn't that much gold out there and there's even a smaller portion of gold that's traded that forms the gold price. That's what makes it extremely sensitive to inflation concerns because there's very little supply and there's lots of speculation, but to the extent that gold is a barometer of inflation concerns, the gold market is telling us that the Federal Reserve is on the case. The bond market is telling us that, too, but we in the real world have to translate that to mean a slower economy and that goes back to my advice to this committee in terms of budgeting.

LEG. ALDEN:
The Fed Chairman is making the market real happy, too, with his rising interest rates, as reflected by the volatility. Thank you very much for your comments.

DR. KELLNER:
Thank you.

CHAIRMAN MONTANO:
Legislator Viloria•Fisher.

LEG. VILORIA•FISHER:
Thank you for being here this morning. You know, as you answer questions I come up with more questions, it's that type of conversation.

For about a year, any time we pick up any kind of a print media or watching any business news, there have been different predictions and prognostications on when the housing bubble would burst, so we've all been looking at that very carefully. And looking at Suffolk County and the numbers you gave us regarding the median prices and the changes that we've seen or the decrease in the housing prices and the increase in supply, I had one question to pose to you. We have very different housing models in Suffolk County and there are sectors that really are almost an anomaly with regard to the rest of the housing market in Suffolk County, and I'm thinking in particular of East Hampton. The east end I don't believe falls within the parameters that you described regarding the supply or the market value, I believe that their increase is still in the double•digits and I believe that the supply is still fairly low.

That being said, how close then are we in the rest of the Suffolk County housing market to reaching that bursting bubble? Because if we were to look at that mean and then extract from that those east end numbers, I think that that would have a tremendous impact on our housing market and how it looks.

DR. KELLNER:

I would concur. It would seem to me that the housing bubble is, at the very least, leaking in Suffolk County, not necessarily bursting but leaking. Keep in mind that unlike the stock market where people can buy and sell stocks and speculate to their hearts desire, there's a limit as to how much speculation you can do in housing because in the final analysis you have to live in the house, you can't sell it and then you need a place to live if you do sell it. But your point is extremely well taken because there is this wealthy enclave that is relatively immune to the law of supply and demand and certainly doesn't worry about interest rates going up from one to 5% when perhaps a lot of these transactions are multimillion dollars in nature and may even be effected for all cash.

I believe they are in the numbers to the extent that they are either sales or inventory on the market. And I believe that your point is correct, that if they were removed from the numbers, and I have no sense as to what percentage of the numbers they are, but if they are removed from the numbers then what is left is clearly more serious than the overall numbers indicate in terms of the housing bubble losing air, in terms of homes on the market and in terms of prices actually declining.

LEG. VILORIA•FISHER:

Okay. By the way, with regard to one of your other remarks, this morning's Newsday Business Section had an article on the number of delinquent payments on homes as the interest rates going up, the number is increasing very dramatically. And that was a concern particularly for the lower end home buyers, almost usery involved here and predatory lending practices. People buying homes where there were no interest loans for the first few years, those are going to be hitting and I'm very concerned about those homeowners and their ability to maintain their payments.

I had another question which is a little broader. Yesterday there was a report presented at one of our committees by the Planning Department on real •• on retail space. Comparing the numbers that they gave us yesterday on vacancies which were very low, single digit vacancies in our downtowns and in our shopping malls, however, the numbers that you gave us for vacancy in office spaces were quite a bit higher, they were double•digit office space vacancies; how does that relate to the type of labor market that we've spoken about. Meaning we have seen in our employment that the level of employment of low paying jobs has grown whereas the level of employment in higher paying jobs hasn't been as robust; is there a correlation between those numbers and the numbers that we're seeing vis•a •vis office space and retail space growth?

DR. KELLNER:
Yes, that's an excellent point and I think there is a direct correlation. Because as I cited to you, the jobs that have been created have tended to be low paying jobs, especially jobs in retail, and that reflects what you just mentioned about the lack of availability of retail space, whereas office jobs perhaps pay a bit more and they are not quite as available.

(Legislator Alden handed Dr. Kellner a bottle of water)

Thank you very much, I appreciate that. I can now stay here till two o'clock this afternoon. No, you make an excellent point and I think there's a direct correlation there.

LEG. VILORIA•FISHER:
Okay, but what can we extrapolate from that? What will the long•term effect of that be if we continue to •• well, will we be able to maintain this trend? In other words, will we continue to have those low rates of vacancies in our retail spaces if we're not maintaining a robust higher level economy? At some point it's got to come home to roost, doesn't it?

DR. KELLNER:
Yes, I think it comes back to what I said before, that the County needs to figure out ways to create inducements either of a financial or of the regulatory kind to get businesses to locate here and not haphazardly, too. That you really need to sit down and plan what kind of businesses you might want to attract here based on the needs of the County, based on available

space and based on the resources that are available in terms of the labor of supply. And I think this is beyond the scope of this meeting this morning, but it's certainly something that should be on somebody's agenda, a very excellent point.

LEG. VILORIA•FISHER:
Assemblyman Sweeney had a very interesting bill on the IDA's and how we should tighten the way we look at that, but the IDA's are one tool that you would be suggesting.

DR. KELLNER:
Yes, definitely; IDA's is an excellent vehicle to process this kind of information and make recommendations.

LEG. VILORIA•FISHER:
Thank you very much, it's been very informative.

CHAIRMAN MONTANO:
With that, Dr. Kellner, I want to thank you very much for your time and your input, it's been very, very informative, it's certainly going to help us in terms of looking at the budgets that we're going to be working on very shortly. Legislator D'Amaro, you want to add anything to that?

CO•CHAIRMAN D'AMARO:
Yeah, just also on behalf of the Ways & Means Committee, Doctor, again, thank you for being here and we look forward to speaking with you again. Thank you very much.

DR. KELLNER:
Well, thank you. It's been a pleasure and I appreciate your interest in my views and any time I can be of help, please let me know. Thank you.

CHAIRMAN MONTANO:
I'm going to take a five minute recess. Thank you.

(*Brief Recess: 10:50 A.M. • 11:05*)

We're going to start the meeting, we're going to reconvene. Legislator Alden is indisposable, we won't start the agenda until he comes back. I just want to put on the record that Legislator Losquadro has asked for an excused absence from the committee. Would all Legislators report to the horseshoe, please, for the continuation of the Budget & Finance Committee, with the exception of Legislator Alden.

We had Mr. Kevin Haughey who was here, he's the Vice•President, Senior Vice•President for Municipal Banking Group at North Fork Bank, he had to leave but he was representing and came along with Dr. Kellner. And with that, I think we have one request for a presentation. Someone from •• we had a representative from the Comptroller's Office. Would you like to come forward again? Ms. Sikorsky, just put on your official title •• name, title on the record and the subject matter.

MS. SIKORSKY:
Sure. My name is Joan Sikorsky, I'm the Municipal Finance Administrator in the Office of the Suffolk County Comptroller. I work directly for Joe Sawicki and we have a piece of legislation before the committee and the County Legislature which is Resolution 1758 which grants certain powers to the County Comptroller relative to the Local Finance Law.

There are a few different ways to amortize debt as a local municipality. And back in 1994, the State Legislature expanded the amortization rules under Section 21 for those municipalities that exist within the State. We can now authorize and amortize debt by the 50% rule, by level debt and by declining debt, also weighted average method. I'll explain those three or four briefly and I will just predicate those remarks by saying this authority was granted to the Comptroller to use the full length and breadth of the Local Finance Law in March of 2004 when the budget gap resolution was adopted.

We have made use of these amortization methods these past two years. The County is one of the few municipalities in the State, according to information from our financial advisor and Bond Counsel, that used the 50% rule which actually gets the County to pay off its debt very rapidly. Right now within ten years we are paying off anywhere between 78 and 80% of our debt service.

So the 50% rule allows you to amortize the debt whereby a principle payment in any succeeding year cannot exceed its prior low by 150%. In applying that formula to the principle, it prevents any back loading of the principle and it forces you to pay the principle off rapidly.

LEG. VILORIA•FISHER:
Can you just say that again?

MS. SIKORSKY:
Sure.

LEG. VILORIA•FISHER:
The first part.

MS. SIKORSKY:
Okay. Any subsequent principle payment cannot exceed its prior low by more than 150%.

LEG. VILORIA•FISHER:
Okay.

MS. SIKORSKY:
So that if you had a project that had a $2,000 principle payment and that was your low, you could not have a principle payment in a subsequent year higher than 3,000.

LEG. VILORIA•FISHER:
Okay.

MS. SIKORSKY:
We had used that method for a long time, prior to 1994 that was the only method available to municipalities to use.

We also now have the ability to use level debt. Level debt I would explain simply by referring an example as mortgage payments. It's basically we're looking to level the principle and the amortization •• the interest, combined amortization of the debt service in basically level amounts year by year over the period of probable usefulness of the issue. Declining debt; very simply, as it's stated, any subsequent payment cannot exceed its prior payment.

Weighted average method? As you know from receiving our varied official statements, when we do a general•purpose infrastructure bond issue we may have as many as 200 projects within the issue. Some of those useful lives for each project, for instance for planning might be five years, land acquisition 30 years, roofing, etcetera, all varied principle payments, all various amounts of principle involved for each. What we can do is look at the overall mix of projects, come up with a weighted average for all of them and level out that debt across the varied projects to come up with a reasonable repayment of debt service in the end and reasonable principle payments.

CHAIRMAN MONTANO:
Okay. Thank you very much.

MS. SIKORSKY:
That's it.

CHAIRMAN MONTANO:
Legislator Viloria•Fisher has a quick question.

MS. SIKORSKY:
Uh•oh.

CHAIRMAN MONTANO:
Quick.

LEG. VILORIA•FISHER:
I'm usually pretty brief. I'm thinking in terms of my own mortgage. Let's say as I pay down the mortgage I'm paying more on the principle, and we always see that as a good thing, that we're paying less interest and more principle as the mortgage matures, you know, the amortization of the mortgage. Now, what you're saying is that it shouldn't exceed the principle payment by 150%, but my question is isn't that the normal way in which amortization works, where you pay more and more principle as the

payments mature?

MS. SIKORSKY:
I think you're mixing a little bit of the 50% rule with the level debt, two different things.

LEG. VILORIA•FISHER:
Okay.

MS. SIKORSKY:
The 50% rule would cause you to pay a greater amount of principle in the early years which is the opposite of the level debt that you do in your mortgage. When you're paying your mortgage in the early years, you're paying a lot more interest.

LEG. VILORIA•FISHER:
Interest; right, okay.

MS. SIKORSKY:
Heavy•loaded on the interest. And then if you had a 15 year mortgage, around the tenth year you see all of a sudden, "Wow, I'm paying a lot more principle;" a good thing.

LEG. VILORIA•FISHER:
You're paying a lot more principle, right.

MS. SIKORSKY:
That is basically level debt in a basic explanation.

LEG. VILORIA•FISHER:
That's level debt, okay.

MS. SIKORSKY:
The 50% rule would have you pay greater amounts of principle in the early year, thereby decreasing your overall debt service more rapidly. That is a good thing for the market place in the sense that you show that you're paying your debt quickly and you're not pushing it off on to future

generations. However, the County has employed that particular methodology for a long, long time. As a result of doing that for so long, we are probably •• and I could find this out for certain, but I am sure we are probably one of the most rapid repayers of debt in the State of New York. So that paying back almost 80% of your debt in ten years is so dramatic that we could do level debt and declining debt for many years before we would actually impact that. This is giving us ••

LEG. VILORIA•FISHER:
So with any •• I'm sorry to interrupt you. So with any one indebtedness, with any one loan you could choose to go in either of those directions or any •• what this resolution is saying is to give the Comptroller the latitude to choose the way in which a debt is going to be paid down?

MS. SIKORSKY:
That's correct.

LEG. VILORIA•FISHER:
Okay. Because it is a very short resolution, there's very little in the text here, so I just wanted to be very clear.

MS. SIKORSKY:
Right. It gives the Comptroller the latitude to structure the debt with the understanding •• we've discussed this with Budget Review, we've discussed it with the Budget Office, I think we've shown how we've dealt with it the past two years when we've had that authority with some large financings that will be facing the County, primarily the jail. Whether the County is financing it, whether the JFA is financing it, whatever or a mix or a determination is eventually made, the acquisitions that we're making, the infrastructure improvements that we're seeing now are •• the size of our bond issues are rising and this would give the Comptroller the latitude to try to level out that debt, to give us as a County, as the fiscal officer, Legislature and County Executive, an ability to manage our debt service over the long•term in more reasonable •• within more reasonable parameters.

LEG. VILORIA•FISHER:
Thank you.

CHAIRMAN MONTANO:
All right, thank you very much.

MS. SIKORSKY:
You're welcome.

CHAIRMAN MONTANO:
Anyone else want to make a statement before this committee? If not, we're going to move right into the agenda. Hearing none, we'll move into the agenda.

Tabled Resolutions.

First Tabled Resolutions, ***1049•06 • Repealing home energy nuisance taxes on Suffolk County residents (Alden).***

LEG. ALDEN:
Motion to table.

LEG. COOPER:
Second.

CHAIRMAN MONTANO:
Motion to table, second. All in favor? Opposed? Abstentions?
Motion carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).

1052•06 • Establishing a program to reduce unfair home energy nuisance taxes on Suffolk County residents (Alden).

LEG. ALDEN:
Motion to table.

CHAIRMAN MONTANO:
Second.

LEG. COOPER:

Second.

CHAIRMAN MONTANO:
All right, Legislator Cooper. All in favor? Opposed? Abstentions? ***Motion to table carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

1169•06 • Amending the 2006 Operating Budget transferring funds to provide for Emergency Medical Care training and equipment (Lindsay).
I'll make a motion to table.

LEG. ALDEN:
Second.

CHAIRMAN MONTANO:
Second by Legislator Alden. All in favor? Opposed? Abstentions? ***Motion to table carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

1175•06 • Adopting Local Law No. 2006, a Charter Law to provide for fair and equitable distribution of public safety sales and compensating use tax revenues (Romaine).

LEG. COOPER:
Motion to table.

CHAIRMAN MONTANO:
I will second that. All in favor? Opposed? Abstentions? ***Motion to table carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

1523•06 • Amending the 2006 Operating Budget and transferring funds to Pederson•Krag Mental Health Clinic (Mystal).

LEG. COOPER:
Motion to table.

CHAIRMAN MONTANO:
Motion to table.

LEG. D'AMARO:
Second.

CHAIRMAN MONTANO:
Second by Legislator D'Amaro. All in favor? Opposed?

LEG. ALDEN:
Mr. Chairman?

CHAIRMAN MONTANO:
On the motion.

LEG. ALDEN:
Wasn't there just one minor problem with this?

CHAIRMAN MONTANO:
I don't know honestly, the sponsor is not here.

LEG. COOPER:
No, it's ••

LEG. ALDEN:
Oh, I'm sorry. Okay.

LEG. COOPER:
It's an admission that it was the wrong offset.

LEG. ALDEN:
Okay, sorry.

CHAIRMAN MONTANO:
No problem. All in favor? Opposed? Abstentions? ***Motion to table carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

Resolution 1646•06 • Adopting Local Law No. 2006, a Charter Law

to establish a fiscally sound, flexible policy for managing the budget surpluses (Lindsay). I will make a motion to table.

LEG. COOPER:
Second.

CHAIRMAN MONTANO:
All in favor of tabling? Opposed? Abstentions? ***Motion to table carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

1647•06 • Adopting Local Law No. 2006, a Charter Law to implement two•year rolling debt policy under 5•25•5 Law to mitigate budgetary shortfall (County Executive). I'll ask for a quick explanation from Counsel.

MR. NOLAN:
This law would suspend the application of our 5•25•5 law for the next two years.

CHAIRMAN MONTANO:
Okay, thank you. I'm going to make a motion to approve.
Do I have a second?

LEG. COOPER:
Second.

LEG. D'AMARO:
Second.

CHAIRMAN MONTANO:
Second by Legislator D'Amaro.

LEG. ALDEN:
On the motion.

CHAIRMAN MONTANO:

On the motion, Legislator Alden.

LEG. ALDEN:
I would actually feel a lot more comfortable if we made a motion just to discharge it and allow everybody in the Legislature to comment on the policy.

CHAIRMAN MONTANO:
Discharge without recommendation?

LEG. ALDEN:
It puts it before the full Legislative body then.

MR. ZWIRN:
But this was part of the overall financial Budget Deficit Reduction Plan that won approval at the Legislature, so this is •• and this is not something they'll be seeing for the first time.

LEG. ALDEN:
No, and we did it I think two years ago or last year, something like that.

MR. ZWIRN:
Correct, that's correct.

CHAIRMAN MONTANO:
Well, there's a motion to approve on the table. I'm inclined to move the motion unless there's a second motion.

LEG. ALDEN:
I'll make a motion to discharge without recommendation.

CHAIRMAN MONTANO:
Do I hear a second on that?

LEG. SCHNEIDERMAN:
I'll second it.

LEG. VILORIA•FISHER:
Mr. Chair, on that motion?

CHAIRMAN MONTANO:
On the motion to discharge •• which takes precedence?

MR. NOLAN:
Discharge without recommendation.

CHAIRMAN MONTANO:
All right, on the motion to discharge without recommendation?

LEG. VILORIA•FISHER:
On the motion.

CHAIRMAN MONTANO:
On the motion, Legislator Fisher.

LEG. VILORIA•FISHER:
Whether we approve it or discharge it without recommendation, it comes before the full Legislature on Tuesday. And I see no reason why this committee would not vote to approve this out of committee; there's no defect in it, we don't see any problems with it. Usually when we discharge without recommendation it is because we see there is a shortcoming in the resolution or something that has to be amended; we see no such problem in this resolution, so I see no reason not to approve it out of committee.

LEG. ALDEN:
Put me on the list.

CHAIRMAN MONTANO:
Legislator Alden.

LEG. ALDEN:
Well, I actually do see a problem in it. 5•25•5 is there for a reason and that's to save the taxpayers of Suffolk County a lot of money, because by paying cash for something you're not basically indebting or creating more

debt for your future. What this policy would do, and I think it's got to be discussed by the full Legislative body, you're suspending that, so instead of paying cash for things we're going to buy things and incur more debt. We just had a couple of presentations in the Capital Budget process that showed that maybe it's not all that prudent to load up on debt because that can impact your operating budget also because you have to pay those things off.

So I think that this is a policy statement that we're making and I think that it's very important to go before the full Legislative body because there's huge ramifications here.

CHAIRMAN MONTANO:
I agree with you, it is a policy statement and I think that's what Legislator Viloria•Fisher was addressing, that there's no detect in the bill, it's just where we're going to go with the policy ••

LEG. VILORIA•FISHER:
Right.

CHAIRMAN MONTANO:
•• on this issue. And I believe that this is something that has been discussed before and, you know, we have approved this and other bills. Either way it's going to go before the full Legislature, the question is whether or not it will go before the Legislature with the stamp or recommendation of approval from this committee. So any other comments on the motion to discharge without recommendation?

LEG. SCHNEIDERMAN:
Rick, on the motion.

CHAIRMAN MONTANO:
Legislator Schneiderman.

LEG. SCHNEIDERMAN:
The bill, it's a five year suspension of 5•25•5?

CHAIRMAN MONTANO:
It's a two year suspension.

LEG. SCHNEIDERMAN:
Two year. You see, to me it really should be one because we do the budget every year and we may determine if the interest rates are lower or higher, particularly if there's higher interest rates that it might make more sense to not bond for certain items. Just from a fiscal policy, we're tying our budgetary hand next year when we're in this year's budget process.

CHAIRMAN MONTANO:
That's not before us, it's a two year resolution.

LEG. SCHNEIDERMAN:
I know, I'm saying it ought to be one year.

CHAIRMAN MONTANO:
Legislator •• I mean •• Legislator; I'm sorry, Ben Zwirn, would you like to address that?

MR. ZWIRN:
It's the balance of this year and next year and the budget will be done, the savings will be incurred this year. And it's when you ••

CHAIRMAN MONTANO:
Just so I'm clear, it's a two year plan but one year encompasses the year we're in now and it will go into next year.

MR. ZWIRN:
Correct.

CHAIRMAN MONTANO:
So all right, it's really not a two year, it's an existing and one year.

MR. ZWIRN:
It's saving the balance of the pay•as•you•go money which is cash to try to

reduce the deficit for 2007.

CHAIRMAN MONTANO:
I got you. Legislator Schneiderman?

LEG. SCHNEIDERMAN:
That's fine. We're going to do a budget process, and so normally we would make this decision when we did the budget process for 2007, how much we should borrow and how much, you know, we should pay out of our operating budget, so we're making the decision early.

CHAIRMAN MONTANO:
All right. Any other Legislator have a comment on this? I'm going to ask for a vote on the motion to table •• no, motion to discharge without recommendation. All in favor? All opposed?

LEG. VILORIA•FISHER:
Opposed.

LEG. COOPER:
Opposed.

LEG. D'AMARO:
Opposed.

CHAIRMAN MONTANO:
Opposed. ***Failed (VOTE: 2/4/0/1 In Favor: Legislators Alden & Schneiderman • Not Present: Legislator Losquadro).***

All right. We have a motion to table on •• I'm sorry, motion to approve. I'm going to ask for a vote on that. Is there any discussion?

LEG. ALDEN:
On the motion?

CHAIRMAN MONTANO:
On the motion.

LEG. ALDEN:
I don't think this is a policy that has been established as far as the need for it. And as far as the savings, they're front loaded so it's a one•shot and basically what you're doing is creating a situation where after 2007, you're going to have more and more of a bite taken out of your operating budget and your discretionary funds. So I think that this is pushing any of the true needs of the County of Suffolk, you're pushing it into bonding. And as we know, if we operate our families or if we operate our household where you don't pay cash for things, if you load up on debt and you're going to pay for it next year or the year after or the year after, it becomes more expensive which is not fair to the taxpayer. And secondly, who knows if you can actually afford it; 2008 might be the nightmare year, it might not be 2007, or it might be 209 or 210. So I think that we're making a premature decision right now to actually adopt this as our policy and I think that it deserves to be thrown out there on the full Legislative agenda.

CHAIRMAN MONTANO:
It will be if we approve it.

LEG. ALDEN:
Right, but you're making a statement when you approve it.

CHAIRMAN MONTANO:
Well, this committee is making a statement.

LEG. COOPER:
The majority of the committee is making a statement and you're free to disagree.

LEG. ALDEN:
Oh, well, thank you very much for that educational thing on what I am as a Legislator and a member of the committee.

CHAIRMAN MONTANO:
We have a short time span here.

LEG. ALDEN:
Now I can go home and go and really relax.

CHAIRMAN MONTANO:
I want to point out, Legislator Alden has been here for nine years and I'm sure he knows the rules which he's reminded of.

LEG. COOPER:
So then why ••

CHAIRMAN MONTANO:
In all seriousness, we're running late on the time, I don't want to impose on the other committee. Are there any other comments on 1647 before we take a vote?

LEG. D'AMARO:
I had a question.

MS. VIZZINI:
Mr. Chairman?

CHAIRMAN MONTANO:
Yes, go ahead, Gail.

MS. VIZZINI:
I just wanted to comment that when you do craft the 2007 Operating Budget, this resolution doesn't say you cannot add money to the pay•as•you•go line.

CHAIRMAN MONTANO:
Okay.

MS. VIZZINI:
So you will have the opportunity to revisit that policy.

CHAIRMAN MONTANO:
That's what I thought.

LEG. D'AMARO:
Right. Isn't this just the waiver that we're approving today?

MS. VIZZINI:
Well, yes, yes.

LEG. D'AMARO:
It's a waiver.

LEG. VILORIA•FISHER:
We're waiving the requirement.

MS. VIZZINI:
Correct.

CHAIRMAN MONTANO:
Hold on, let's get some order. Legislator D'Amaro has the floor.

LEG. D'AMARO:
Yeah, my understanding was that this was part of an overall budget package that we were dealing with earlier this year in order to deal with a budget shortfall this year and going into next year. But if we have a waiver, what was the amount of pay•as•you•go funds that we're actually waiving this year?

MS. VIZZINI:
There is seven million in the 2006 Operating Budget.

LEG. D'AMARO:
Okay. And what ••

MS. VIZZINI:
And there are many Capital Projects that are currently scheduled with General Fund monies that are •• cannot seem to go forward unless we do the waiver which will allow us to change the G money to B money. Granted,

the '07 Capital Program does not have a lot of G money in it, but when you do the Operating Budget you'll be able to determine whether you want to add more monies in the pay•as•you•go loan.

LEG. D'AMARO:
So when we were going through that budget process, we were trying to make decisions as to what is the, let's say, least painful way to try and deal with this shortfall, this was one of the policy decisions that we made back at that time. And it's a relatively smaller amount; I mean, to bond for the amount that we're replacing, we're not talking $50 million or $100 million or things like that, we're talking about six or $7 million.

CHAIRMAN MONTANO:
Seven point six.

LEG. D'AMARO:
Seven point six?

MS. VIZZINI:
Seven point five, yeah.

CHAIRMAN MONTANO:
Seven point five?

LEG. D'AMARO:
Right, okay.

CHAIRMAN MONTANO:
Thank you. Legislator Schneiderman, you had a question?

LEG. SCHNEIDERMAN:
Sure. Gail, maybe you could refresh my memory. That 5•25•5, that law that was passed I guess like five or six years ago, didn't that have to do with projects under a certain cost or a certain life expectancy?

LEG. VILORIA•FISHER:
Right.

LEG. SCHNEIDERMAN:
It had to be done out of the General Fund and you couldn't bond for them.

MS. VIZZINI:
Yeah, the whole idea was to mitigate the rising debt service, so it was projects that had a use for life of five years, a cumulative cost of 25,000 or a unit cost of 5,000. Something like radios or computers or something of that nature really should be with operating monies.

LEG. SCHNEIDERMAN:
And your advice as a financial advisor, as we enter a climate of seemingly higher interest rates, is this a good policy to have on the books, that we avoid borrowing in those types of situations?

LEG. ALDEN:
That's not fair to ask her that.

CHAIRMAN MONTANO:
Yeah, I'm going to ••

LEG. ALDEN:
That's not fair, policy decisions are made by us.

CHAIRMAN MONTANO:
Right, I would agree with that.

LEG. SCHNEIDERMAN:
She advises us on policy decisions, that's her job.

LEG. ALDEN:
That's not fair, you're going to put her at odds with them.

LEG. SCHNEIDERMAN:
Well, she can get back to me on it ••

CHAIRMAN EDDINGTON:

If you want to •• Gail, do you want to ••

LEG. SCHNEIDERMAN:
•• when we do the budget, but it's certainly germane.

CHAIRMAN MONTANO:
It is germane, but I would have to agree with Legislator Alden, it's a policy decision reserved to, you know, policy makers.

LEG. SCHNEIDERMAN:
Right, but ••

CHAIRMAN MONTANO:
And I don't think that ••

LEG. SCHNEIDERMAN:
But I rely heavily on the advice of financial advisors making those policy decisions.

CHAIRMAN MONTANO:
Call her. Gail, do you feel the need to address that or would that be something that •• you know, I'll leave it up to you. I don't want to put you on the spot. I have to agree with Legislator Alden that, you know, these conversations maybe should be held ••

LEG. D'AMARO:
Privately.

CHAIRMAN MONTANO:
Privately. I don't want to put that on the record because of the implications that could come up later.

LEG. SCHNEIDERMAN:
I couldn't disagree with you more.

MS. VIZZINI:
Well, I'll just say that the Budget Review Office Report speaks to this subject

and we stand behind our report.

CHAIRMAN MONTANO:
What does your report say then, just so that we can put it on the record.

MS. VIZZINI:
Well, we've always been in favor of pay•as•you•go, you know, where applicable, but it is a policy decision. And you have the opportunity to revisit it in 2007 and it is direct, the direct connect between the Capital Program and the Operating Budget.

CHAIRMAN MONTANO:
Thank you. You got the answer.

LEG. SCHNEIDERMAN:
Thank you.

CHAIRMAN MONTANO:
All right, Legislator Alden was next and •• Lou, you want to?

LEG. D'AMARO:
Just briefly.

CHAIRMAN MONTANO:
Legislator Alden is next followed by Legislator D'Amaro.

LEG. ALDEN:
Just a quick question, actually through the Chair. Legislator D'Amaro, you made a statement about a budget deficiency in '06, I don't believe that we're dealing with a budget deficiency in '06. Budget Review can correct me if I'm wrong, I believe that we're looking at a surplus in '06, not as much as ••

CHAIRMAN MONTANO:
A smaller surplus.

LEG. D'AMARO:

Yeah, but that would go to the carry•over to the following year. I mean, I think I learned that the first week I was here in the Legislature.

LEG. ALDEN:
Is there a problem with the '06 budget?

CHAIRMAN MONTANO:
It depends on what you mean by problem, but ••

MS. VIZZINI:
2006 is fine. The more money you save in '06 the less the problem in '07.

CHAIRMAN MONTANO:
And what I understand is that ••

LEG. ALDEN:
Potential problem.

CHAIRMAN MONTANO:
What I understand is ••

MS. VIZZINI:
Which also depends on your definition.

CHAIRMAN MONTANO:
If I may. What I understand, just to be clear that I understand it properly, is that we're not •• we don't have a deficit, what we have is a reduction in the fund balance, anticipated reduction in the fund balance this year to the tune of maybe 60, $70 million versus 120 that we had last year and preceding years; is that correct?

MS. VIZZINI:
Yeah, we had a 2005 fund balance in the General Fund of about 154 million.

CHAIRMAN MONTANO:
A hundred and fifty•four.

MS. VIZZINI:
Our budget model prior to the budget mitigating legislation was projecting a fund balance of around 79 million, therein is your shortfall.

CHAIRMAN MONTANO:
Lies the difference, right. But it's not a deficit in the classic sense of a deficit; am I correct in that?

MS. VIZZINI:
We're not in trouble in 2006.

CHAIRMAN MONTANO:
Right, but there's still not a deficit, whether it makes us in trouble •• puts us in trouble or not, is that accurate? In terms of the use of the word. We have a decrease in our anticipated fund balance, at least we're anticipating a decrease in the fund balance for this year.

LEG. D'AMARO:
In other words, we're not spending more than we have.

MS. VIZZINI:
Compared to 2005, yes, but there will be a surplus.

LEG. D'AMARO:
Right.

CHAIRMAN MONTANO:
Okay. Anyone else want to comment on this resolution?

LEG. D'AMARO:
Just real quick.

CHAIRMAN MONTANO:
Legislator D'Amaro.

LEG. D'AMARO:
Yeah, just in response to Legislator Schneiderman. I really wouldn't have a

problem either with Budget Review answering that question, only because I think everyone is in favor of paying rather than bonding and incurring interest, debt service. I don't think that that's a •• that's not a policy that we're debating, whether to continue doing that or not long•term, it's really just about how do we deal with making sure that we're fiscally sound in 2007. And if it turns out •• as
Ms. Vizzini said earlier, if it turns out that our sales tax revenues are meeting projections in where they should be coming in •• although based on the testimony we heard from Dr. Kellner earlier, that's questionable •• we can always go back to pay•as•you•go.

So right now I think by approving •• I think it is a positive, a fiscally sound policy to have that tool available to us so that should the shortfall occur in the sales tax revenue, we have the option by this waiver to not use the pay •as•you•go as extensively maybe as we've done in the past. So with that, I would like to approve this with the recommendation to the full Legislature to give us those options for next year.

CHAIRMAN MONTANO:
And I just want to put on the record, which I think is clear, that the Budget Review Office answered the question that was posed.

With that, I'm going to ask for a vote. We have a motion to approve; all in favor? Opposed?

LEG. ALDEN:
Opposed.

CHAIRMAN MONTANO:
One opposed. Abstentions? ***Motion to approve carries (VOTE: 5•1•0•1 Opposed: Legislator Alden • Not Present: Legislator Losquadro).***

Resolution 1658•06 • Electing a cents per gallon rate of sales and compensating use taxes on motor fuel and diesel fuel, in lieu of the percentage rate of such taxes, pursuant to the authority of Article 29

of the Tax Law of the State of New York (Romaine). I'm going to ask for ••

LEG. D'AMARO:
Motion to table.

CHAIRMAN MONTANO:
•• a brief explanation from Counsel.

MR. NOLAN:
Pursuant to this law, the County would opt in to an option that was given to us by the State whereby once we hit $2 per gallon on gasoline, the County would not collect any sales tax beyond that, and that's •• the title is complicated, but that's essentially what the law does.

LEG. ALDEN:
Who wrote the title, you?

MR. NOLAN:
Right from the State.

LEG. ALDEN:
Motion to approve.

CHAIRMAN MONTANO:
Motion to approve. Do we hear a second?

LEG. SCHNEIDERMAN:
I'll second for the purpose of discussing.

CHAIRMAN MONTANO:
All right. Anyone want to discuss it?

LEG. SCHNEIDERMAN:
Yeah.

CHAIRMAN MONTANO:

Go ahead, Legislator Schneiderman.

LEG. SCHNEIDERMAN:
The window of time, as you know, to opt in, I think it's now passed.

CHAIRMAN MONTANO:
It's passed, okay.

LEG. SCHNEIDERMAN:
So the next opt•in period is September and I think as we ••

CHAIRMAN MONTANO:
In light of that ••

MR. NOLAN:
The law has been amended to reflect that, it now has a September 1st effective date.

LEG. COOPER:
Motion to table.

CHAIRMAN MONTANO:
Motion to table by ••

LEG. D'AMARO:
Second.

CHAIRMAN MONTANO:
•• Legislator Cooper. Seconded by?

LEG. D'AMARO:
Second.

CHAIRMAN MONTANO:
Legislator Romaine. On the motion?

LEG. D'AMARO:

Romaine?

CHAIRMAN MONTANO:
I'm sorry, it's Romaine's bill; Legislator D'Amaro. I'm trying to rush this through in deference to the other committee. I'm looking at Romaine's name, that's the only reason, he's the sponsor of it.

LEG. D'AMARO:
I just want to say something on this.

CHAIRMAN MONTANO:
Go ahead, Legislator D'Amaro.

LEG. D'AMARO:
Yeah, and I just want to point out that as our Budget Review Office recommended in its written report, this again would not be a fiscally prudent thing to do because it would result in a shortfall in sales tax. But you know, that's not really the issue here. The issue here
I believe is whether or not the State's going to clarify what this even applies to. Because that's an opinion from Budget Review but, you know, you can talk to different folks and they'll tell you that it might actually stimulate the economy and help the local economy and help our local residents, so that's something that we need to think about. But at the same token, until we know what this actually applies to, I don't think it would be sound to go forward.

CHAIRMAN MONTANO:
Legislator Alden.

LEG. ALDEN:
Actually, New York State has made it pretty clear what it applies to, it applies to gasoline, but also motor fuels and it does apply to home heating oil. So I think that we nip two things right here in the bud and we give a double, so to speak, early Christmas present to all those of our constituents in Suffolk County.

We have already done the Home Energy Tax Bill and we've seen that we can afford that, even though there were a lot of people out there screaming and hollering, "Oh, no, it's going to blow the budget apart" and everything else. And I remember a couple of years ago when we did the sales tax, "Oh no, the sky's going to fall and everything's going to have to close down, we're going to have to kill services and everything else." Well, we gave people a break on the clothing; we knocked it off on $110 purchases for clothing and shoes and it worked. And Suffolk County government is very well run right now, we're in good fiscal shape. So you can say what you want as far as the nay sayers ••

MR. ZWIRN:
It's on the record. It's on the record.

CHAIRMAN MONTANO:
It's on the record.

LEG. ALDEN:
•• that it doesn't work, but I believe it ••

MR. ZWIRN:
It works, you said it's running great.

LEG. ALDEN:
I believe it does, I've said that all along. And I'm glad that the County Executive came on board and we worked together to do the Home Energy Tax, so I was very glad to see that, even though there was an initial •• a little bit of reluctance on it, but it worked and we didn't bankrupt Suffolk County and we didn't blow the budget. This is something that the people in Suffolk County are crying for every day, they need tax relief; they need property tax relief, they need immense relief. It is so expensive to live in this area. We •• it's incumbent on all of us to do everything that we can and in our power to provide that tax relief to our constituents. So if it's •• if this includes home energy, a little bit of Home Energy Tax, so be it, we're providing relief to our constituents. And I don't see why we're not actually passing this out, let it get to the full Legislative body and let's have a full discussion on what our policy is in Suffolk County and how we're going to either help our tax •• our constituents with the heavy tax burden or we're

going to just leave that heavy tax burden in place.

CHAIRMAN MONTANO:
All right, I don't want to stifle debate, I just want to, you know, remind my colleagues of the fact that we're over our allotted time, but certainly this is an important topic. Legislator D'Amaro followed by Legislator Cooper.

LEG. D'AMARO:
Yeah, very quickly. I don't think we have the clarification yet as to what this will or will not apply to and I think that in and of itself is a reason not to go forward at this time. But as Legislator Alden says, if it does apply to a more inclusive group of energy or fuels or what have you, energy sources, then I'm really concerned because then what you may actually be advocating for is a property tax increase to fill a budget hole and I am not prepared to do that.

CHAIRMAN MONTANO:
Legislator Cooper?

LEG. COOPER:
I also wanted to respond briefly to comments by Legislator Alden. There's one major difference, I believe, between the two other forms of tax relief that he mentioned, the rollback on the home heating oil and the tax•free week on clothing and shoes. In those two cases we're guaranteed that Suffolk residents will actually see the savings. In this case, as I've said repeatedly and others have said, there's no guarantee that any of the tax savings by putting a $2 cap on gasoline will be passed on to consumers.

Our own Director of Consumer Affairs, Charlie Gardner, said the law is completely unenforceable. One of the Republicans, it was either you or Legislator Romaine, said, "Well, don't worry about that, the Attorney General's Office, they'll enforce this somehow I called the Attorney General's Office, they said it's ridiculous and there's no way for it to be enforced. As they said, how could you possibly enforce a two•and•a•half cent difference in price from one gas station to the next? It's patently absurd.

I think that this is going to line the pockets of the big oil companies, it's not going to end up in the pockets of consumers. We can have a debate on the merits of the home heating oil tax relief or tax relief for clothing and shoes, but this is not an appropriate way to provide tax relief to Suffolk consumers. It's going to blow a massive hole in our budget and it's going to benefit the oil companies and I'm adamantly opposed.

CHAIRMAN MONTANO:
Legislator Alden followed by Legislator Schneiderman.

LEG. ALDEN:
Well, as I said before, people said that, again, we were going to add on property taxes when we did away with the tax on clothing. And it's interesting that you make the statement that the home energy tax worked, because last time I looked fuel oil is sold the same way as gasoline is sold; it's delivered, it's taxed, you're handed a little meter. So how would Suffolk County ensure that the two or five or ten cents a gallon difference in tax was passed on to the consumer? And it was ensured because it operated on where a complaint came in we handled the complaint, and there were a few complaints that came into my office, the same way it would be handled now. And the free market enterprise system and that what the United States is, a free market system.

So you're not controlling the price of gasoline. And I never said, nor do I ever condone, price supports or price restrictions, so there's a little bit of a clarification there that is necessary. And I'm not guaranteeing to somebody that this gas station is going to sell gasoline for $3.02 a gallon, that's a free market, that price is going to fluctuate and we have •• really out here in Suffolk County we have no control over that. But the price that we do have control over is the amount that we put in our pockets and spend and that's the tax, the sales tax. We can eliminate that, we can cut it down and people can go and say nay, that it's not going to work, but it did work; it worked in the past for clothing, it worked in the past for heating oil, it will work this time, it will put money in people's pockets where it belongs, not in in government coffers.

CHAIRMAN MONTANO:
All right, Legislator Schneiderman.

LEG. SCHNEIDERMAN:
I'll be brief.

CHAIRMAN MONTANO:
Thank you.

LEG. SCHNEIDERMAN:
Most of us were at a special meeting the other day and we got to hear a presentation by Paul Sabatino explaining how the new mortgage filing fee was a fee that was only applying to, you know, very few, a small pool of people. Here we have a tax on gasoline that is affecting everyone, so we're taxing, in a sense, a small group of people but here's a way to provide relief to a larger group of people.

Now, I've listened to the arguments on all sides of this debate, whether we should cap it at three, whether we should cap it at two, whether this is •• you know, if having a high price of gasoline is something that's good in terms of getting people to buy hybrid cars or conserve energy. I don't know all the answers to this, but I know that this is an important debate and it really ought to happen in front of the full Legislature. We should have a chance to talk about this and we as a collective body should make a decision of whether we don't cap the sales tax on gasoline, whether we do a $2 cap, whether we do a $3 cap, we ought to have the options in front of us. We ought to have a reasonable debate with the best advice we can get from our financial advisors and make a decision. So that's all I'll say for now; let the debate happen.

CHAIRMAN MONTANO:
Well, this is a motion to table, this debate will linger on. We have time to do it before the September 1st deadline. There's a motion to table. I'm going to ask for a vote on the motion to table; is that satisfactory to everybody?

LEG. COOPER:
Yes.

CHAIRMAN MONTANO:

All in favor of tabling? Opposed?

LEG. ALDEN:
Opposed.

LEG. SCHNEIDERMAN:
Abstain.

CHAIRMAN MONTANO:
And one abstention. Motion to table carries. ***Tabled (VOTE: 4/1/1/1 Opposed: Legislator Alden • Abstention: Legislator Schneiderman • Not Present: Legislator Losquadro).***

1685•06 • Adopting Local Law No. 2006, a Charter Law to clarify and strengthen provisions limiting amendments to the Capital Budget and Program (Lindsay). I believe we have to table this for a public hearing. I'll make the motion.

LEG. COOPER:
Second.

CHAIRMAN MONTANO:
Second by Legislator Cooper. All in favor? Opposed? Abstentions? ***Tabled for a public hearing (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).*** When will that be?

MR. NOLAN:
The public haring is coming up at the next General Meeting.

CHAIRMAN MONTANO:
Next General Meeting, okay.

1702•06 • To readjust compromise and grant funds and chargebacks on correction of errors/County Treasurer by: County Legislature #248•2006 (County Executive). I will make a motion to approve and place on the consent calendar.

LEG. COOPER:
Second.

LEG. D'AMARO:
Second.

CHAIRMAN MONTANO:
Seconded by Legislator Cooper. All in favor? Opposed? Abstentions? Motion carries, ***approved and placed on consent calendar(VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

IR 1703•06 • To readjust compromise and grant funds and chargebacks on correction of errors/County Treasurer by: County Legislature #249•2006 (County Executive). I will make a motion to approve and place on the consent calendar.

LEG. COOPER:
Second.

CHAIRMAN MONTANO:
Second by Legislator Cooper. All in favor? Opposed? Abstentions? Motion carries, ***approved and placed on consent calendar (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

IR 1758•06 • Resolution of the County of Suffolk, New York, delegating to the County Comptroller the authority to issue and sell bonds and notes for the fiscal years 2006, 2007 and 2008 in accordance with the provisions of the Local Finance Law (County Executive).

LEG. VILORIA•FISHER:
Motion.

CHAIRMAN MONTANO:
There was the resolution that was discussed earlier.

LEG. VILORIA•FISHER:

Motion.

CHAIRMAN MONTANO:
Motion to approve by Legislator Viloria•Fisher, I will second it. All in favor? Any discussion on the motion? All in favor? Opposed? Abstentions? ***Motion to approve carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

Resolution 1786•06 • Repealing resolution No. 992•2002 (County Executive). I'm going to make a motion to table.

LEG. COOPER:
Second.

CHAIRMAN MONTANO:
Second by Legislator Cooper. Any discussion on the motion? No discussion? Motion to table; all in favor? Opposed? Abstentions? Motion carries, ***Tabled (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

Resolution 1788•06 • A Common Sense Cost Mitigating Offset Plan for the cents•per•gallon sales tax (Losquadro).

LEG. COOPER:
Motion to table.

LEG. D'AMARO:
Second.

CHAIRMAN MONTANO:
Motion to table by Legislator Cooper, seconded by Legislator Losquadro. Any discussion on the motion?

LEG. ALDEN:
No, to save time, I'll save it all for later.

CHAIRMAN MONTANO:
All right.

LEG. SCHNEIDERMAN:
Could we get an explanation on the ••

CHAIRMAN MONTANO:
A quick explanation.

MS. ORTIZ:
You said Losquadro as the second.

CHAIRMAN MONTANO:
Oh, I keep reading the name, I'm sorry. It's Legislator Cooper and Legislator D'Amaro. I apologize twice on that.

MR. NOLAN:
This resolution is actually tied to IR 1658 which seeks to find the offsets for the lost revenue from reducing •• or capping the sale on motor fuel and diesel fuel at $2 a gallon, and that's what this resolution does. It has two components, an Early Retirement Incentive Program and then a second section which would allow •• permit the County to sell tax liens for commercial and vacant properties.

CHAIRMAN MONTANO:
Okay, we have a motion to table. Are we ready for a vote?
All in favor of tabling? Opposed?

LEG. ALDEN:
Opposed.

LEG. SCHNEIDERMAN:
Abstention.

CHAIRMAN MONTANO:
One opposition, Legislator Alden and one abstention, Legislator Schneiderman. ***Motion to table carries (VOTE: 4•1•1•1 Opposed:***

Legislator Alden • Abstention: Legislator Schneiderman • Not Present: Legislator Losquadro).

IR 1790•06 • Authorizing amended school tax warrant for the Town of Smithtown (Kennedy).

LEG. COOPER:
Motion to approve.

CHAIRMAN MONTANO:
Motion to approve by Legislator Cooper. I'll second it but I would like a brief explanation.

MR. NOLAN:
This just amends the Town of Smithtown's tax warrant to reflect an increased collection from one of the school districts in the town.

CHAIRMAN MONTANO:
Okay. On the motion, Legislator Alden.

LEG. ALDEN:
I'm just a little surprised to see a Legislator's name on this.

CHAIRMAN MONTANO:
So am I.

LEG. ALDEN:
Did this come through Budget Review?

LEG. VILORIA•FISHER:
That is unusual.

MR. NOLAN:
The request came from the Town of Smithtown, I believe it was prepared by the Clerk's Office, this resolution. I did touch base with the Treasurer's Office, they had no objection to this resolution, it reflects an increased collection to the County of about $115,000.

CHAIRMAN MONTANO:
I think the question is why is it put forward as a resolution by one of the Legislators, is that your point? I'm not so sure either, but I don't •• is there any opposition to this by anyone or any comments on this?

LEG. ALDEN:
No.

CHAIRMAN MONTANO:
All right, I'm going to ask for a vote. Motion to approve.
All in favor? Opposed? Abstentions? Motion carries.
Approved (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).

No Tabled Memorializing Resolutions.

Memorializing Resolutions

MR 043 • Memorializing Resolution in support of estate tax deferral for Working Farms and Land Conservation Act (Romaine). Brief explanation?

MR. NOLAN:
This is Memorializing a Federal statute that would exclude farmland, active farmland from the estate tax for as long as the farmland remains as active farmland.

CHAIRMAN MONTANO:
All right. Did we have a motion and a second?

LEG. ALDEN:
Motion to approve.

LEG. D'AMARO:
Second.

CHAIRMAN MONTANO:

Motion by Legislator Alden, seconded by Legislator D'Amaro.
All in favor? Opposed? Abstentions? Motion carries,
Approved (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).

MR 055 • Memorializing Resolution in support of exempting commercial fishermen from any excise or State sales tax for the purchase of diesel motor fuel (Schneiderman). Do I hear a motion?

LEG. SCHNEIDERMAN:
Motion.

CHAIRMAN MONTANO:
Do I hear a second?

LEG. ALDEN:
Second.

CHAIRMAN MONTANO:
Seconded by Legislator Alden. A brief explanation on this?

LEG. SCHNEIDERMAN:
Sure, and you can have Counsel if he wants to. Let me just say, though, in a sense the title is a little misleading since they already are exempted from the excise tax, but right now they have to pay for it first and then get the money back; this would exempt them at the beginning of the process like farmers are.

CHAIRMAN MONTANO:
Okay. A vote on the motion; all in favor? Opposed? Abstentions? ***Motion to approve carries (VOTE: 6•0•0•1 Not Present: Legislator Losquadro).***

With that, it ends the agenda and I'm going to entertain •• I'm going to make a motion to adjourn the meeting. Thank you very much.

(*The meeting was adjourned at 11:47 A.M.*)

Legislator Ricardo Montano, Chairman
Budget & Finance Committee

{ } • Denotes Spelled Phonetically